NewsLine

Savings Plus Program 1st Quarter 2007

Investment Options - End of 2007

SPP continues its transition to a new investment structure scheduled to be complete by the end of 2007. The reorganized lineup will make it easier for you to select investments for your 401(k) and 457 accounts and allow us to offer the best available investments at the lowest cost.

We designed the new lineup to focus on asset categories, not individual fund providers. That allows us to maintain consistent investment choices for many years to come. As a result, you can expect few, if any, changes to our lineup in the foreseeable future.

The newly organized lineup, displayed in the chart on page 2, will provide investment choices for each asset category. According to most financial experts, successful long-term investing is based on your choice of asset categories. The use of asset allocation and diversification do not assure a profit or prevent against a loss in a declining market. For help choosing among these categories, complete the Ibbotson questionnaire to identify your "investor profile." You can find the questionnaire in our *Investment Guide* and on our Web site.

Build Your Portfolio

In our new fund structure, you will have three options to build your portfolio:

Option 1 – Select an Asset Allocation Fund

This option is best suited for the participant who wants a simple solution to diversification. In this option, all your SPP funds should be invested in a single "asset allocation" fund that matches your Investor Profile. This option mixes index funds from the rest of our lineup to achieve the diversification that matches your Investor Profile. Investments involve market risk and there is no guarantee that the investment objective of any fund will be achieved.

Option 2 – Build Your Own Portfolio

If you like to pick and choose your own funds from those offered by Savings Plus, this is your option. Savings Plus offers "core funds," described below, which are selected through a competitive process. Core funds include all asset categories as defined in the Ibbotson Profile.

Option 3 – Use the Brokerage Account

If you're an experienced investor wanting total control of your choices, you can set up a Personal Choice Retirement Account® (PCRA) through Charles Schwab. This option allows you to invest in a large variety of investments not available through Option 2 (although you must maintain a minimum balance in SPP's core funds). Read the *Investment Guide* for more information about a PCRA.

Continued on page 2

Core funds

As you can see on the **SPP Fund Options** chart, our core funds will consist of two different types of funds: managed and index. (Refer to the 2nd Quarter 2006 *NewsLine* for more details on managed vs. index funds; back issues are available on our Web site.) You can choose either type, depending on your preference. Each actively managed fund will be managed by two or more investment managers, each representing a specific investment style. For more information about investment style, see page 4 of the new *Investment Guide*.

More information coming soon

Before our current fund structure changes, we'll mail more information to you at the address we have on file for you. As in the past, we'll notify you prior to any change in funds where your assets are invested and explain your options. Be sure to visit our Web site (www.sppforu.com) for the latest on the new fund structure.

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Before investing in a fund, carefully consider its investment objectives, risks, and charges and expenses. The prospectus and fact sheets contain this and other important information. Read them carefully before investing. You can access prospectuses and fact sheets at our Web site (www.sppforu.com) **or by calling 866-566-4777 (press *0).**

The above listed investment options are separate accounts, commingled funds, and/or funds-of-funds, except as noted below. They are not registered mutual funds. Since they are not registered mutual funds, no prospectus is available. You may obtain fund fact sheets on our Web site (www.sppforu.com) or by calling 866-566-4777 (press *0).

*The Socially Responsible Fund is Savings Plus' descriptor for the Neuberger Berman Socially Responsive Fund, which is a registered mutual fund wrapped in a variable annuity. A prospectus for this fund is available on our website or by calling customer service at the number above.

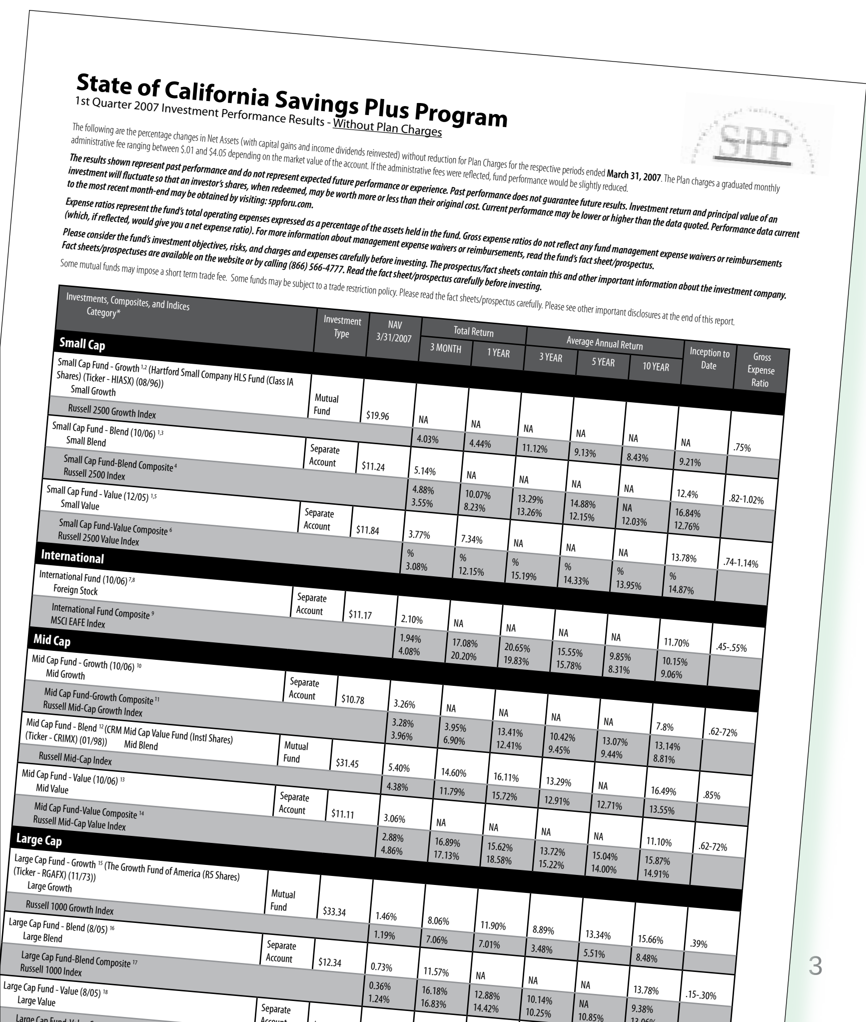
Retirement Planning Fairs in May/June

In May and June, CalPERS will host 16 Retirement Planning and Resource Fairs throughout the state for employees to get information on retirement planning. This year's theme is **"It's Never too Early … It's Never too Late."**

Savings Plus staff will be on hand at all 16 events. We'll tell you how a Savings Plus account can boost your pension income. Our staff can help you understand such program features as age-based "catch up," lump sum contributions, and rolling over 401(k) or 457 plan balances from former employers' plans into your SPP account. We will answer any other questions you might have about Savings Plus.

The chart to the right provides information on the fairs. For specific times and locations, check the Spring edition of CalPERS' *Perspective* or visit the CalPERS Web site at www.calpers.ca.gov. We'll also post this information on SPP's homepage at www.sppforu.com.

Locations	Dates
Riverside – Office of Education	Wednesday, May 2
San Luis Obispo – Main Library	Friday, May 4 Saturday, May 5
Fresno – CalPERS Regional Office	Tuesday, May 8 Wednesday, May 9
San Francisco – Bill Graham Civic Auditorium	Wednesday, May 16
Santa Rosa – Flamingo Hotel	Thursday, May 17
Ontario – Convention Center	Saturday, May 19
Sacramento – Convention Center	Wednesday, May 23
Sacramento – CSU, Sacramento Campus	Thursday, May 24
Santa Clara – Office of Education	Friday, June 1 Saturday, June 2
Chico – Recreation & Park Community Center	Friday, June 8 Saturday, June 9
San Diego – CalPERS Regional Office	Wednesday, June 13 Thursday, June 14



State of California Savings Plus Program

1st Quarter 2007 Investment Performance Results - Without Plan Charges

The following are the percentage changes in Net Assets (with capital gains and income dividends reinvested) without reduction for Plan Charges for the respective periods ended **March 31, 2007**. The Plan charges a graduated monthly administrative fee ranging between $.01 and $4.05 depending on the market value of the account. If the administrative fees were reflected, fund performance would be slightly reduced.

The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Performance data current to the most recent month-end may be obtained by visiting: sppforu.com.

Expense ratios represent the fund's total operating expenses expressed as a percentage of the assets held in the fund. Gross expense ratios do not reflect any fund management expense waivers or reimbursements (which, if reflected, would give you a net expense ratio). For more information about management expense waivers or reimbursements, read the fund's fact sheet/prospectus.

Please consider the fund's investment objectives, risks, and charges and expenses carefully before investing. The prospectus/fact sheets contain this and other important information about the investment company. Fact sheets/prospectuses are available on the website or by calling (866) 566-4777. Read the fact sheet/prospectus carefully before investing.

Some mutual funds may impose a short term trade fee. Some funds may be subject to a trade restriction policy. Please read the fact sheets/prospectus carefully. Please see other important disclosures at the end of this report.

Investments, Composites, and Indices Category*	Investment Type	NAV 3/31/2007	Total Return 3 MONTH	Total Return 1 YEAR	Average Annual Return 3 YEAR	Average Annual Return 5 YEAR	Average Annual Return 10 YEAR	Inception to Date	Gross Expense Ratio
Small Cap									
Small Cap Fund - Growth [1,2] (Hartford Small Company HLS Fund (Class IA Shares) (Ticker - HIASX) (08/96)) Small Growth	Mutual Fund	$19.96	NA	NA	NA	NA	NA	NA	.75%
Russell 2500 Growth Index			4.03%	4.44%	11.12%	9.13%	8.43%	9.21%	
Small Cap Fund - Blend (10/06) [1,3] Small Blend	Separate Account	$11.24	5.14%	NA	NA	NA	NA	12.4%	.82-1.02%
Small Cap Fund-Blend Composite [4] Russell 2500 Index			4.88% 3.55%	10.07% 8.23%	13.29% 13.26%	14.88% 12.15%	NA 12.03%	16.84% 12.76%	
Small Cap Fund - Value (12/05) [1,5] Small Value	Separate Account	$11.84	3.77%	7.34%	NA	NA	NA	13.78%	.74-1.14%
Small Cap Fund-Value Composite [6] Russell 2500 Value Index			% 3.08%	% 12.15%	% 15.19%	% 14.33%	% 13.95%	% 14.87%	
International									
International Fund (10/06) [7,8] Foreign Stock	Separate Account	$11.17	2.10%	NA	NA	NA	NA	11.70%	.45-.55%
International Fund Composite [9] MSCI EAFE Index			1.94% 4.08%	17.08% 20.20%	20.65% 19.83%	15.55% 15.78%	9.85% 8.31%	10.15% 9.06%	
Mid Cap									
Mid Cap Fund - Growth (10/06) [10] Mid Growth	Separate Account	$10.78	3.26%	NA	NA	NA	NA	7.8%	.62-72%
Mid Cap Fund-Growth Composite [11] Russell Mid-Cap Growth Index			3.28% 3.96%	3.95% 6.90%	13.41% 12.41%	10.42% 9.45%	13.07% 9.44%	13.14% 8.81%	
Mid Cap Fund - Blend [12] (CRM Mid Cap Value Fund (Instl Shares) (Ticker - CRIMX) (01/98)) Mid Blend	Mutual Fund	$31.45	5.40%	14.60%	16.11%	13.29%	NA	16.49%	.85%
Russell Mid-Cap Index			4.38%	11.79%	15.72%	12.91%	12.71%	13.55%	
Mid Cap Fund - Value (10/06) [13] Mid Value	Separate Account	$11.11	3.06%	NA	NA	NA	NA	11.10%	.62-72%
Mid Cap Fund-Value Composite [14] Russell Mid-Cap Value Index			2.88% 4.86%	16.89% 17.13%	15.62% 18.58%	13.72% 15.22%	15.04% 14.00%	15.87% 14.91%	
Large Cap									
Large Cap Fund - Growth [15] (The Growth Fund of America (R5 Shares) (Ticker - RGAFX) (11/73)) Large Growth	Mutual Fund	$33.34	1.46%	8.06%	11.90%	8.89%	13.34%	15.66%	.39%
Russell 1000 Growth Index			1.19%	7.06%	7.01%	3.48%	5.51%	8.48%	
Large Cap Fund - Blend (8/05) [16] Large Blend	Separate Account	$12.34	0.73%	11.57%	NA	NA	NA	13.78%	.15-.30%
Large Cap Fund-Blend Composite [17] Russell 1000 Index			0.36% 1.24%	16.18% 16.83%	12.88% 14.42%	10.14% 10.25%	NA 10.85%	9.38% [illegible]	
Large Cap Fund - Value (8/05) [18] Large Value	Separate Account	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

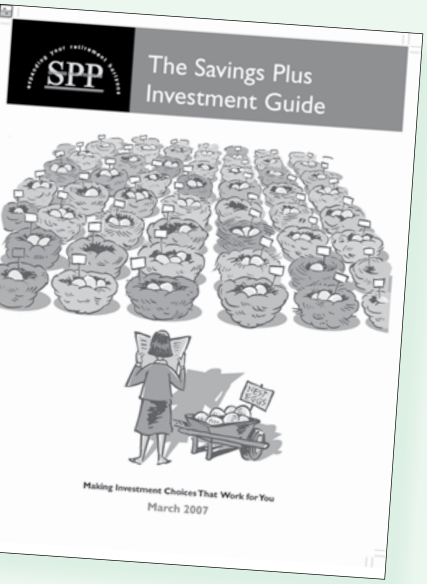
Investment Performance Report Changes

In case you didn't notice, we've made some changes to the quarterly Investment Performance Report. This report accompanies your quarterly statement and *NewsLine.*

All SPP funds are now listed by asset category from most aggressive to most conservative. (Refer to the *Investment Guide* if you're unfamiliar with asset categories.) In addition, we now list the expense ratios for each fund.

You can use this quarterly report to check how your funds are performing. You should avoid focusing on short-term performance (quarter and 1-year return information). Instead, look at three, five, and ten-year performance when you assess how a fund has performed.

New *Investment Guide* Now Available



We're pleased to announce the *Investment Guide* has been updated with new information and easier-to-read explanations of how to invest through Savings Plus.

The new March 2007 edition summarizes each of the investment options we offer. It also explains the three basic options for how to select your SPP investments and investing concepts and terminology.

The *Guide* also includes the Ibbotson asset allocation tool (page 8) to help you identify what kind of investor you are: conservative, aggressive, or somewhere in between. Knowing your "investor profile" can help you choose the asset categories where you should be investing and what percentage of your total investments to allocate to each category. (You also can access the Ibbotson tool at www.sppforu.com under Planning Tools.)

Is it Time for Your Required Minimum Distribution?

If you turned age 70½ in 2006, the IRS generally requires you to begin withdrawing money from your 401(k) and/or 457 accounts no later than April 1 of 2007 (or the year you retired, whichever is later). You have the option to delay your first payment for one year, up to April 1. However, if you delay, you must receive two payments the following year. These payments are taxed as ordinary income, so delaying your minimum distribution could raise your tax liability for the year of the double payment.

Our Benefit Payment Booklet explains "required minimum distributions" in detail, along with your other payout options. To get the booklet from our Web site, go to Forms & Publications, then select Forms. You also may call 1-866-566-4777 (toll free) and press *0 to ask a customer service representative to mail the booklet to you.

Investment Fund Update

FUND INVESTIGATIONS

No items to report.

FUND MANAGER CHANGES

No new items to report.

WATCHLIST

There are no funds added to the Watchlist for this quarter.

The Hartford Small Company HLS Fund remains on the Watchlist because of the addition of a second fund management team. This is a change from the previous manner in which the fund was managed. Fund is eligible to come off the Watchlist in July 2007.

State of California
Department of
Personnel Administration

Savings Plus Program
1800 15th Street
Sacramento, CA 95814-6614

How to Reach Us

Hours:
Lobby: 8:00 a.m. - 4:30 p.m.

Phone: 8:30 a.m. - 4:00 p.m.

Web site: www.sppforu.com

Voice Response System:
1-866-566-4777

TTY: 1-800-848-0833

FAX: 1-916-327-1885

NRM-3580CA.4 Q-712-0407